

SANTA BARBARA SOUTH COAST TOURISM BUSINESS IMPROVEMENT DISTRICT

Looking Ahead: Renewal Process



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I. OVERVIEW

To Our Valued TBID Members:

On behalf of the TBID renewal committee, thank you for your participation and support during the previous three years. As we embark upon the TBID renewal process, I want to touch upon some key elements of this process, its successes, and the vital importance of the tourism business improvement district to our industry's viability.

We are initiating the TBID renewal process now based upon the recommendations of our TBID advisory consultant and supported by the TBID Renewal Committee. Although we still have just over a year remaining of the five year TBID term, we want to ensure that the TBID funding stream is uninterrupted so that we can seamlessly maintain our marketing efforts. We witnessed the negative ramifications in San Diego when legal challenges forced a short-term shut down of their Tourism Management District. We do not anticipate any similar challenges with our TBID renewal and we have been advised that it is prudent to begin the renewal process now to ensure our future funding.

I believe most of you are aware of the tangible successes of our TBID, which has decisively contributed to the Santa Barbara South Coast's rising visitation numbers, resulting in substantial economic impact. Specifically, average daily rate (ADR) increased from \$166.45 in 2010 to \$195.00 in 2013 and occupancy rose by 5.5%.

With the use of TBID funding, VSB-generated lodging revenue has increased from \$28M in 2010/11 to a projected \$59M in 2013/14.

We're not alone in acknowledging the importance of the TBID structure. There are currently 85 tourism business improvement districts in existence in California. Although this reinforces Santa Barbara's adoption of the TBID, it also means that the marketplace is incredibly competitive, especially at a regional level. Infused with TBID funding, we want Visit Santa Barbara to continue to help ensure our destination is at the forefront of the travel and tourism industry and remains top-of-mind at a state, national, and global level.

As we continue to maximize the opportunities created by TBID funding, we thank you, our industry partners, for supporting the collections of these funds through the TBID that are paramount to our marketing success. In the next months we will ask you for your continued support for our South Coast Tourism Business Improvement District.

Sincerely,
Tom Patton | TBID Committee Chair



As President and CEO of Visit Santa Barbara, I want to personally thank you. As Tom mentioned, TBID funding has notably increased the number of opportunities VSB is able to pursue on behalf of the destination. I'm frequently reminded of the Santa Barbara South Coast's prominence within the travel and tourism industry when I attend trade shows and meet with colleagues throughout the state, country, and world.

As a member of the U.S. Travel Association Board, I can assure our lodging partners that Visit Santa Barbara is at the cutting edge of our industry and key performance indicators support this. **Unique website visitors to SantaBarbaraCA.com have increased 103% to a projected 1.39M since 2010/11 TBID funds became available.** VSB-generated lodging revenue, as a percentage of total lodging revenue, has grown from 13.1 % in 2010/11 to 21.1% in 2013/14.

At Visit Santa Barbara, we give absolute consideration to every TBID dollar spent, ensuring that funds are always maximized on behalf of the Santa Barbara South Coast. I look forward to our continued partnership and the new levels of success to which it will take our world-renowned destination.

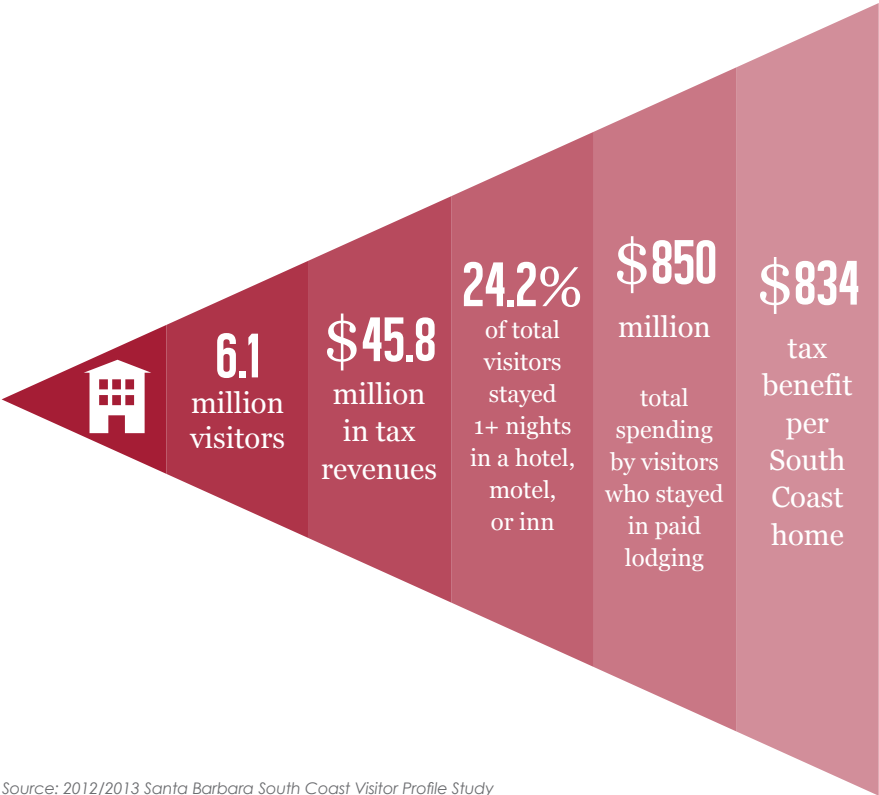
Sincerely,
Kathy Janega-Dykes | President and CEO, Visit Santa Barbara





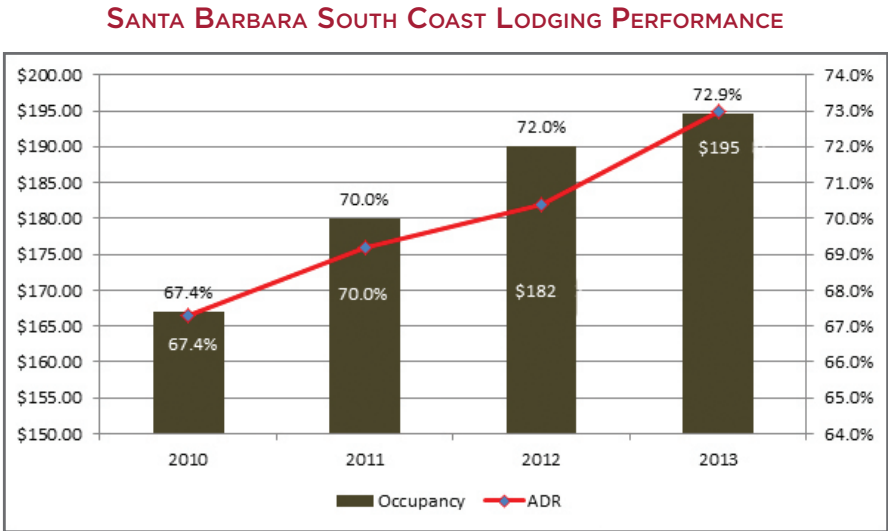
II. THE DESTINATION TBID SUCCESS STORY

The vast effect of travel and tourism on the Santa Barbara South Coast cannot be ignored.



Source: 2012/2013 Santa Barbara South Coast Visitor Profile Study

The positive impacts of TBID funding for tourism marketing are very tangible. Santa Barbara South Coast lodging properties have experienced strong and consistent growth in both occupancy and average daily rate since the initiation of the TBID and its infusion of new funds to the VSB marketing program. The South Coast has outperformed the California market as a whole with occupancy rising from 67.4% to 72.9% and with an increase in ADR of 17% between CY 2010 and 2013.



Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

SANTA BARBARA SOUTH COAST VS. CALIFORNIA LODGING PERFORMANCE

	Occupancy		ADR	
Year	California	Santa Barbara	California	Santa Barbara
2010	63.1%	67.4%	\$109.94	\$166.45
2011	66.5%	70.0%	\$116.35	\$176.38
2012	68.8%	72.0%	\$123.00	\$182.00
2013	70.2%	72.9%	\$130.41	\$195.00

Source: Smith Travel Research

Since TBID funds were added to the marketing effort, unique website visitors to the Visit Santa Barbara site have grown a remarkable 103% to 1.39 million, an increase that directly leads to increased lodging revenue.



1.39
MILLION UNIQUE
WEBSITE VISITORS

How does this translate into revenue? It is estimated that 10% of desktop users and 9% of mobile users who visit the VSB website are influenced to visit the destination.*

TBID funds have further expanded VSB efforts and resources allowing VSB to initiate a comprehensive marketing effort and extensive sales and public relations activity. The result has been an almost \$31 million increase in VSB's share of total lodging revenue since 2010/11.

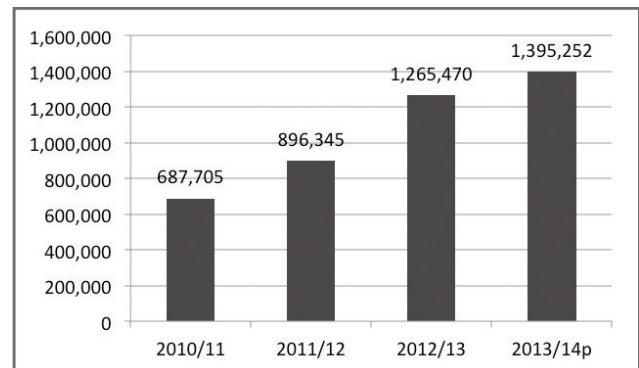


\$31
MILLION INCREASE IN VSB'S SHARE OF
TOTAL LODGING REVENUE SINCE 2010/11

With renewed funding, Visit Santa Barbara will continue to expand upon this multi-faceted approach, marketing the destination to drive the percentage of lodging revenue even higher in years to come.

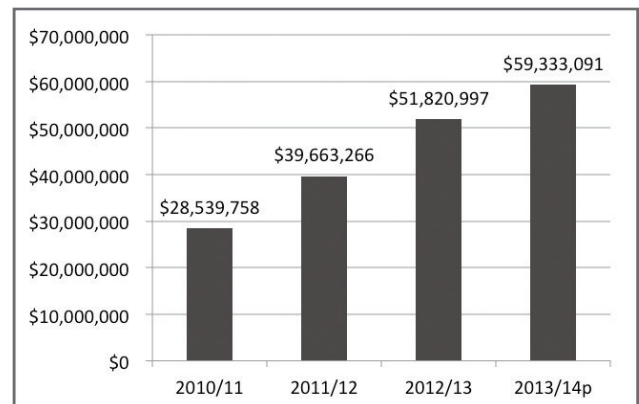
*Note: The 9% conversion rate is estimated based on several factors including input and agreement from the lodging industry, extrapolation of the VSB conversion study and comparisons with other destinations. It is purposely a conservative estimate.

VISIT SANTA BARBARA UNIQUE WEBSITE VISITORS



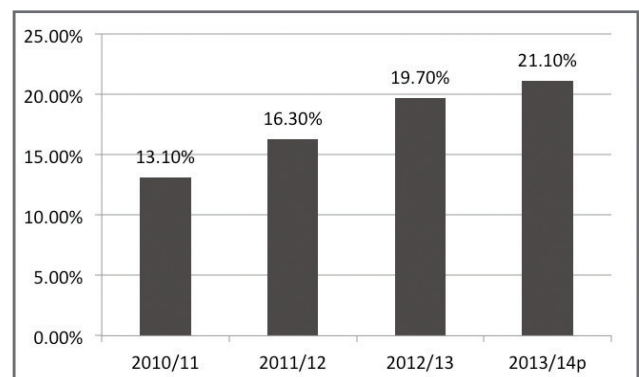
Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

VISIT SANTA BARBARA GENERATED LODGING REVENUE



Source: Visit Santa Barbara Destination Strategic Marketing Plan

VISIT SANTA BARBARA GENERATED LODGING REVENUE AS A % OF TOTAL LODGING REVENUE



Source: Visit Santa Barbara Destination Strategic Marketing Plan

III. THE COMPETITION IS CHALLENGING

The California tourism market is an extremely competitive one.

Tourism Business Districts formed by our competitors are collecting more and outspending our South Coast TBID. Additionally, many destinations and regions have a built in increase for tourism funding because they collect TBID funds as a percentage of room revenue and not a flat fee per night, as done by our TBID. Our South Coast TBID collects about \$1.75 million annually. This compares to \$4 million collected by Napa, \$3+ million collected by Santa Monica, \$3.5 million collected by Monterey and \$6 million collected by Palm Springs. Major California cities collect five to six times more, topped by San Diego with a 2% room revenue charge that brings in \$35 million annually.

Of course, our competition is not limited to California destinations.

We compete with coastal and resort destinations everywhere. According to TraveEffect.com, “Travel injects \$2 trillion into the U.S. economy.” As the economy continues to ramp up post-recession and travelers start to extend stays and loosen budget restrictions, it is now more important than ever to position Santa Barbara as a standout destination.

REGIONAL TBID COLLECTIONS

	Amount	Assessment Rate
Major Destinations	\$67,332,000	
San Francisco	\$27,000,000	.75% - 1.5% room revenue
San Diego	\$30,000,000	.55% - 2% room revenue
Los Angeles	\$19,000,000	1.5% room revenue
Wine Country	\$6,200,000	
Napa	\$4,000,000	2% room revenue
Sonoma County	\$2,000,000	2% room revenue
Sonoma City	\$440,000	2% room revenue
LA/South Coast	\$7,079,031	
Huntington Beach	\$1,300,000	2% room revenue
Laguna Beach	\$950,000	2% room revenue
Newport Beach	\$2,500,000	3% room revenue
Santa Monica	\$3,350,000	\$2.25 - \$4.25 per night

Source: Civitas

	Amount	Assessment Rate
Central Coast	\$3,695,000	
Arroyo Grande	\$140,000	2% room revenue
Pismo Beach	\$600,000	1% room revenue
Morro Bay	\$500,000	3% room revenue
San Luis Obispo County	\$1,500,000	2% room revenue
San Luis Obispo City	\$950,000	2% room revenue
Paso Robles	\$500,000	2% room revenue
Atascadero	\$105,000	2% room revenue
North Central Coast	\$4,860,000	
Santa Cruz	\$1,140,000	\$1.00 - \$1.50 per night
Monterey	\$3,500,000	\$.50 - \$2.50 per night
Carmel	\$220,000	\$1.00 per night
The Desert	\$6,000,000	
Palm Springs	\$6,400,000	2% room revenue
The Sierras	\$6,480,000	
Mammoth Lakes	\$4,680,000	1% - 2% Revenue Hotels/ Restaurant Retail
South Lake Tahoe	\$1,800,000	\$3.00 - \$4.50 per night

IV. THE SANTA BARBARA OPPORTUNITY

After considering both our success and our challenging competition, we are proposing that in FY15/16 the Santa Barbara South Coast Business Improvement District increase its current assessment rate per night, and add two additional tiers; properties that have an annual ADR of \$250-300 and those that have an annual ADR above \$300.

CURRENT TBID ASSESSMENT

Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.50
\$100 - \$150	\$1.00
Over \$150 - \$200	\$1.50
Over \$200	\$2.00

PROPOSED TBID ASSESSMENT

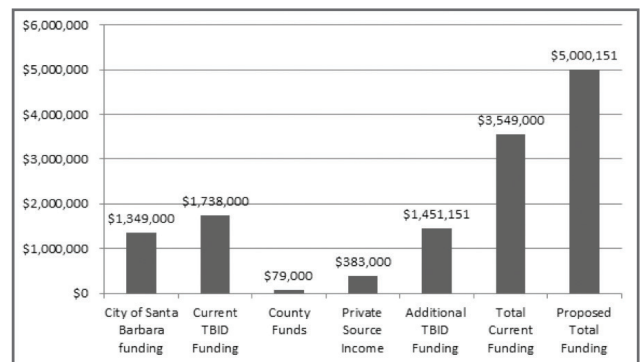
Average Daily Rate	Assessment Rate Per Night
Less than \$100	\$0.75
\$100 - \$149	\$1.50
\$150 - \$199	\$2.25
\$200 - \$249	\$3.00
\$250 - \$299	\$3.50
Over \$300	\$4.00

With the assessment category increases there will be an additional \$1,401,151.00 for marketing outreach. This added to the City, County, Membership and Cooperative Marketing revenue would result in an operating budget for Visit Santa Barbara of approximately \$5.0 million annually.

We believe this increase will have a minimal effect on any consumer decision to visit the destination. These fees are now pervasive throughout California and the sum total of our assessment is considerably lower than most.

The suggested increase will allow Visit Santa Barbara to continue to aggressively grow lodging revenue and keep us on par with other direct competitors.

VISIT SANTA BARBARA PROPOSED TBID FUNDING



Source: Visit Santa Barbara Destination Strategic Marketing Plan 2013/2014

WHO PAYS THE ASSESSMENT

Beginning in January 2015, all commercial lodging businesses, regardless of size or category, within the boundaries of the Cities of Santa Barbara, Carpinteria, and Goleta, and portions of unincorporated southern Santa Barbara County will be required to pay the TBID assessment. Assessments would range from \$0.75 to \$4.00 per occupied room night for hotels/motels/inns and \$2.00 per night for vacation rentals.*

*The assessment rate categories reflect the proportionate benefit derived by each business type. The rate has been varied according to the estimated benefit to be received by each business type. Businesses with a lower ADR pay a lower rate because, although they will benefit from all of the District's programs, their lower ADR will translate to less revenue received than businesses with a higher ADR. Tourist homes or houses, apartment houses, mobile homes, and house trailers (hereinafter "vacation rentals") are assessed on a per unit basis and at a rate of \$2.00 per night because, although they will benefit from destination marketing designed to increase overnight visitation and the resulting hotel compression, they will not be listed on the website or in promotional materials, be featured in co-op or film advertising, or receive direct sales leads as a result of the TBID efforts. Vacation rentals also differ from other lodging businesses in that they can typically accommodate fewer people and do not charge for rentals on a per-room basis. Because they will benefit less than multi-room lodging businesses, vacation rental businesses will ultimately pay less into the District than multi-room lodging businesses.

TERM LIMITS AND ESCALATOR CLAUSE

Two increases in the assessment rates have been authorized over the six year term in order to keep pace with the rate of inflation, to remain competitive and to grow market share. These increases will be implemented on January 1st of the third and fifth years (2017 and 2019) of the District. These increases will be automatic unless the VSB Board votes not to implement them based upon circumstances that they deem significant. Any increase will be reflected in the annual report.

Assuming that the assessment increases are enacted in years 3 and 5 the annual assessment rates will be as follows:

TBID Escalator (50% Assessment Increase)		
Year 1	Year 3	Year 5
\$0.75	\$0.85	\$0.95
\$1.50	\$1.65	\$1.85
\$2.25	\$2.50	\$2.75
\$3.00	\$3.30	\$3.65
\$3.50	\$3.85	\$4.25
\$4.00	\$4.40	\$4.85

This will result in an estimated annual budget of \$3,151,151 for year 1, \$3,480,050 for year 3, and \$3,849,939 for year 5.

TBID DESTINATION FUNDS

Local destination marketing funds shall be used for programs which drive room night sales to assessed lodging businesses in Goleta and Carpinteria, respectively. 5.5% of the total collections will be earmarked for these destination TBID funds, with Goleta receiving \$129,985 and Carpinteria receiving \$43,328 in the first year. This funding will adjust annually based on fluctuations with revenue collections.

The amount dedicated to local destination marketing may be adjusted if the bi-annual assessment rate increases are implemented, the amount provided to Carpinteria may increase to \$47,850 in year three and \$52,936 in year five, and the amount provided to Goleta may increase to \$143,552 in year three and \$158,810 in year five.

A destination marketing organization (DMO) in the cities of Goleta and Carpinteria shall receive funds to be spent on local destination marketing activities. For Goleta, the initial DMO will be the Goleta Valley Chamber of Commerce. For Carpinteria, the initial DMO will be the Carpinteria Valley Chamber of Commerce. The DMO shall have responsibility and decision making authority for the funds provided, within the requirements of this Plan.

RETURN ON INVESTMENT

Visit Santa Barbara estimates the additional \$1,401,151.00 could generate approximately 300,000 new unique website visitors by year 5 compared to 2013/14. Based on the model established in the ROI study this could equate to an additional \$16.5 million in incremental lodging revenue in year 5 of the program.

Of course the benefit does not stop there. Visitors spend time and money throughout the community, enjoying meals, activities and events. This spending generates additional tax revenue which in turn benefits civic and community projects. Another significant benefit is the increase in hospitality industry jobs created as tourism grows. Our travel industry currently generates 12,000 tourism-supported jobs.*

VISIT SANTA BARBARA PROPOSED TBID FUNDING ESTIMATED RETURN ON INVESTMENT

	2013/2014 Baseline Year	Projected Increase	
		Year 1	Year 5
Unique website visitors	1,283,374	1,486,243	1,596,471
Incremental unique website visitors		202,869	313,097
Influence Rate	9%	9%	9%
Length of Stay	2.5	2.5	2.5
Average Daily Rate	\$189	\$190	\$198
Revenue	\$54,575,479.35	\$63,536,888.25	\$71,122,783.05
Projected Incremental Revenue from Baseline		\$8,961,408.90	\$16,547,303.70
Investment above current \$1.7M TBID Funds		\$1,401,151.00	\$2,300,000.00
Estimated ROI		\$6.4	\$7.6

Source: Visit Santa Barbara Destination Strategic Marketing Plan 2014/15 draft

Notes & Assumptions:

Year 1:

1. Currently VSB collects approximately \$1.75M in TBID funds. The model is designed to assess the impact of new TBID funds in addition to those funds. In the case of Year 1 total TBID collections (included old and new TBID funds) would be \$3,151,151. The difference between the \$1.75M previously collected and new anticipated funds is \$1,401,151. (\$3,151,151-\$1,750,000=\$1,401,151).
2. Incremental unique website visitors is calculated using the two year average for the cost per unique website visitor is \$5.18(\$5.75+\$4.60/2=\$5.18).
3. We also assume that because VSB will be working to influence visitors from destination markets and during times of the year that have lower demand that their efforts may not be as efficient as those in the core Southern California market. As such we estimate VSB will be 75% as efficient in generating new unique website visitors. As such \$1,401,151 TBID investment/\$5.18 x 75% =202,869
4. Baseline unique visitors is based on 2013/14 year end estimates. (MMGY estimates)
5. Year 1 unique website visitors is estimated to be 1,486,243 (1,283,374+202,869=1,486,243)
6. Based on 210,108 new incremental website visitors at an influence to visit rate of 9% with an average length of stay of 2.5 nights and an average daily rate \$190 it is estimated that incremental lodging revenue is \$8.6.
7. To calculate the Return on Investment (ROI) take the incremental revenue \$8.6M divided by the new incremental TBID funds \$1.4M which =\$6.4 dollars for each dollar spent.

Year 5:

1. Taking a longer view and assuming the economy keeps moving forward and there are no exogenous events that negatively impact tourism when we compare Year 5 to the current baseline years using the same methodology that was identified in Year 1 it is estimated there incremental lodging revenue above the baseline is \$16.5M with a ROI in year 5 of \$7.6 for each dollar spent.

OVERSIGHT

Representatives of the renewed district would continue to maintain a strong presence in the oversight of all TBID funding, working closely with Visit Santa Barbara Board of Directors and staff on the planning, implementation and measurement of TBID funds, assuring that they would be focused on generating new room night sales and increased revenue for TBID members.

*Source: 2012/2013 Santa Barbara South Coast Visitor Profile Study



V. THINK BIG!

Visit Santa Barbara aims to define and create opportunities that are as unique as the destination itself.

Creative positioning and an integrated long-term strategy help ensure that the Santa Barbara South Coast is as memorable as it is desirable. Although Visit Santa Barbara's annual action plan includes hundreds of initiatives, these specific programs demonstrate how VSB would use additional TBID funding to fuel visitation to the area:

NON-PEAK SEASONS



Implement programs that attract destination visitors and increase visitation during non-peak seasons or "opportunity seasons". This includes expanded promotional messaging and partner programming that offers travelers good reason to visit during winter and shoulder seasons.

SALES DEPT. EXPANSION



Expand the Sales Department to target the meeting and conference market.

FILMING INCENTIVES



Incentivize commercial and film producers to shoot their projects in Santa Barbara County.

MORE FAM TRIPS



Increase the number of journalist familiarization trips, bringing key editorial influencers in-market to experience the Santa Barbara South Coast first-hand.

INDUSTRY ALLIANCES



Nurture key industry alliances with organizations such as Central Coast Tourism, Visit California, and Brand U.S.A. to infuse regional and national marketing messages with Santa Barbara-specific content, helping to collectively raise the tourism tide.

MUSIC MARKETING



Develop a music marketing program that industry partners can use to promote the brand.

SNOW CAMPAIGN



Create turn-key “Snow” marketing initiatives to promote Santa Barbara during times when the remainder of the country is experiencing bad weather.

INTERNATIONAL



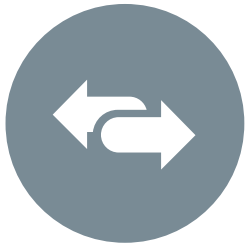
Expand international outreach to emerging markets such as Korea, China, Brazil and more.

TV & RADIO



Develop a television and radio advertising strategy.

NEW PARTNERSHIPS



Create ground breaking partnerships with iconic Santa Barbara companies.

PROMOTE SMALL HOTELS



Develop campaign to promote the smaller, limited service hotels.

INNOVATIVE DELIVERY



Create innovative ways to deliver Santa Barbara content to potential visitors.

POP-UP EVENTS



Produce “pop-up” events in key markets to generate consumer and media awareness for Santa Barbara.

NEW AIR SERVICE



Collaborate with Santa Barbara Airport staff to attract new air service.

MEETING INCENTIVES



Incentivize conferences and meetings to book at South Coast hotels from November – February.

WEBSITE REDESIGN



Redesign official tourism website, SantaBarbaraCA.com, to showcase the breadth of attractions, lodging and reasons to visit the destination.

RESEARCH



Conduct a brand study.

MARKET TARGETING



Expand spot market media programs, providing targeted reach of growth markets such as Chicago and New York City.

VISIT SANTA BARBARA

A man and a woman, both wearing life vests, are wading in the ocean. The man is in the foreground, reaching out towards a blue ball floating in the air. A yellow dog is swimming in the water near him. A red kayak is in the water, and the woman is standing next to it. The background shows a clear blue sky and a distant sailboat on the horizon.

VI. KEY QUESTIONS TO ASK OURSELVES

1. Should we have a unified vision of Santa Barbara as a top resort destination not only in California but nationally?
2. What are the rewards we could expect if we increase our tourism marketing budget to the levels of other communities that we compete against?
3. What level of growth should we, as a tourism destination, aspire to?
4. As the economy improves should we seize the opportunity to develop new markets in the U.S and abroad?



HOTELIER OUTREACH MEETINGS	MAY 2014
RENEWAL - RESOLUTION REQUESTING CONSENT SANTA BARBARA CITY COUNCIL	JULY 2014
FINALIZE MDP & PETITION	JULY 2014
PETITION DRIVE BEGINS	AUGUST 2014
RENEWAL - RESOLUTION GRANTING CONSENT CARPINTERIA CITY COUNCIL	AUGUST 2014
SUBMIT PETITIONS TO CITY	AUGUST 2014
RENEWAL - RESOLUTION GRANTING CONSENT COUNTY BOARD OF SUPERVISORS	SEPTEMBER 2014
RENEWAL - RESOLUTION GRANTING CONSENT GOLETA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - RESOLUTION OF INTENTION SANTA BARBARA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - PUBLIC MEETING SANTA BARBARA CITY COUNCIL	SEPTEMBER 2014
RENEWAL - RESOLUTION OF FORMATION / MODIFICATION RESOLUTION OF INTENTION	OCTOBER 2014
MODIFICATION - PUBLIC HEARING SANTA BARBARA CITY COUNCIL	NOVEMBER 2014
MODIFICATION - FINAL HEARING SANTA BARBARA CITY COUNCIL	DECEMBER 2014
FINAL DAY OF EXISTING DISTRICT	DECEMBER 31, 2014
BEGIN NEW COLLECTIONS	JANUARY 1, 2015

“Twenty years from now you will be more disappointed by the things you didn’t do than by the ones you did do. So throw off the bowlines, sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.”

– MARK TWAIN

VISIT
SANTA BARBARA
THE AMERICAN RIVIERA®

